

**Before the
Public Service Commission of South Carolina**

Docket No. 2022-89-G

**Application of Piedmont Natural Gas Company, Incorporated
for an Adjustment of Rates and Charges**

**Direct Testimony and Exhibits
of
Quynh P. Bowman**

**On Behalf Of
Piedmont Natural Gas Company, Inc.**

1 **Q. Ms. Bowman, please state your name and business address.**

2 A. My name is Quynh Pham Bowman. My business address is 4720
3 Piedmont Row Drive, Charlotte, North Carolina.

4 **Q. By whom and in what capacity are you employed?**

5 A. I am the Director – Gas Rates & Regulatory Strategy for Piedmont Natural
6 Gas Company, Inc. (“Piedmont” or the “Company”). In this capacity, I
7 am responsible for a variety of matters, including supporting the
8 development and execution of rate requests and financial report filings by
9 Piedmont.

10 **Q. Please describe your educational and professional background.**

11 A. I received a Bachelor of Arts degree in Accounting from Furman
12 University and subsequently earned a Master of Accounting from North
13 Carolina State University. I received my Certified Public Accountant
14 license (NC Certificate #34214) in 2009 that remains active.

15 From 2007 through 2010, I was employed at McGladrey & Pullen,
16 LLP (now RSM) to perform external financial audits for various clients.
17 Since 2010, I have worked at Piedmont and Duke Energy Corporation
18 (“Duke Energy”) in various roles including Internal Audit, SOX
19 Compliance, Enterprise Risk Management, and, now currently, Gas Rates
20 & Regulatory Strategy.

1 **Q. Have you previously testified before the Public Service Commission of**
2 **South Carolina (“Commission”) or any other regulatory authority?**

3 A. I have not previously testified before this Commission, but I have
4 presented testimony before the Tennessee Public Utility Commission and
5 the North Carolina Utilities Commission.

6 **Q. What is the purpose of your testimony in this proceeding?**

7 A. My testimony is filed in support of Piedmont’s application in this case.
8 Specifically, the purpose of my testimony is to explain and support: (1)
9 Piedmont’s rate base at December 31, 2021, and the actual results of
10 Piedmont’s operations for the twelve month period ending December 31,
11 2021 (the “Test Period”); (2) the results of Piedmont’s Test Period
12 operations under present rates, as adjusted for accounting and pro forma
13 changes to the Company’s operating revenue, operating expense, capital
14 structure and rate base; (3) the additional revenue required to appropriately
15 support Piedmont’s pro forma cost of service; and (4) the amortization of
16 environmental deferred expenses that have been previously granted
17 regulatory asset treatment by the Commission.

18 **Q. Do you have any exhibits supporting your testimony?**

19 A. Yes. The following exhibits are included with my testimony:

20 Exhibit_(QPB-1): Summary of Rate Base

21 Exhibit_(QPB-2): Original Cost of Property Used and Useful

22 Exhibit_(QPB-3): Accumulated Depreciation of Property Used and Useful

23 Exhibit_(QPB-4): Working Capital

1 Exhibit_(QPB-5): Accumulated Deferred Income Taxes (“ADIT”)

2 Exhibit_(QPB-6): Depreciation Policy and Rates

3 Exhibit_(QPB-7): Net Operating Income and Rates of Return

4 Exhibit_(QPB-8): Piedmont Balance Sheet and Income Statement

5 **Q. Were these exhibits prepared by you or under your direction and**
6 **supervision?**

7 A. Yes.

8 **Q. Are you familiar with the accounting procedures and books of**
9 **account of Piedmont?**

10 A. Yes. The books of account of Piedmont follow the Uniform System of
11 Accounts prescribed by the Federal Energy Regulatory Commission. The
12 Test Period amounts shown on my exhibits are those represented on
13 Piedmont’s books of account, and the pro forma adjustments shown on my
14 exhibits conform to the Company’s accounting procedures.

15 **Q. What steps does the Company take to ensure that its books and**
16 **records are accurate and complete?**

17 A. Piedmont maintains and relies upon an extensive system of internal
18 accounting controls and audits by both internal and external auditors. The
19 system of internal accounting controls provides reasonable assurance that
20 all transactions are executed in accordance with management’s
21 authorization and are recorded properly. The system of internal
22 accounting controls is documented and tested annually by the Company to
23 provide reasonable assurance that amounts recorded on the books and

1 records of the Company are accurate and proper. In addition, independent
2 certified public accountants perform an annual audit to provide assurance
3 that internal accounting controls are operating effectively and that the
4 Company's financial statements are materially accurate.

5 **Q. When was Piedmont's last base rate proceeding?**

6 A. The most recent annual filing that updated base rates was for the period
7 ending March 31, 2021, pursuant to annual updates authorized by South
8 Carolina's Rate Stabilization Act ("RSA").

9 **Q. What Test Period did Piedmont utilize in preparing this case?**

10 A. Piedmont used the 12 months ended December 31, 2021.

11 **Piedmont's Rate Base**

12 **Q. Please explain the computation of rate base reflected in your exhibits.**

13 A. Exhibit_(QPB-1) is a summary of Piedmont's end of Test Period rate base
14 amount applicable to its utility operations in South Carolina. Piedmont's
15 end of Test Period rate base for its utility operations in South Carolina is
16 approximately \$497.5 million. This amount reflects the December 31,
17 2021 balances in the Company's accounting records for utility plant in
18 service less accumulated depreciation, construction work in progress
19 ("CWIP"), an allowance for working capital, and ADIT.

20 The largest component of Piedmont's South Carolina rate base is
21 utility plant in service, which is approximately \$838.2 million computed at
22 the original cost of such used and useful property. Exhibit_(QPB-2)
23 identifies utility plant in service by asset category at the end of the Test

1 Period, with approximately 84% of those assets being transmission and
2 distribution plant (predominantly consisting of pipe in the ground,
3 classified as either mains or service lines).

4 Exhibit_(QPB-3) identifies accumulated depreciation by asset
5 category at the end of the Test Period, which is a deduction to rate base of
6 approximately \$272.1 million. Exhibit_(QPB-5) identifies ADIT at the
7 end of the Test Period, which is a deduction to rate base of approximately
8 \$94.1 million. The Test Period allowance for working capital reflects the
9 combined average per books balance for the thirteen months ended
10 December 31, 2021, for the various other book assets and liabilities
11 supporting Piedmont's utility operations in South Carolina, as well as the
12 results of the cash working capital using a one-eighth operations and
13 maintenance ("O&M") convention. The various components of the Test
14 Period allowance for working capital are delineated in Exhibit_(QPB-4)
15 totaling approximately \$ 13.7 million.

16 **Q. Has the Company presented the results of a depreciation or lead/lag**
17 **study in this filing?**

18 A. No. For purposes of Piedmont's depreciation calculations, we have relied
19 on the depreciation rates as approved with the Commission in Order No.
20 2019-573 in Docket No. 2019-191-G. Piedmont is not aware of any
21 factors that would render the study stale and, therefore, the Company
22 elected to rely upon it for purposes of this case rather than burden its
23 customers with the costs of conducting a new depreciation study. Instead

of a lead/lag study, Piedmont used a widely accepted formula approach of one-eighth annual O&M expense to calculate cash working capital.

Q. How has Piedmont's rate base changed since its most recent annual RSA proceeding?

A. Piedmont's last annual RSA proceeding in Docket No. 2021-7-G reflected a Test Period rate base as of March 31, 2021. The amount of Piedmont's rate base approved in Piedmont's RSA proceeding in Docket No. 2021-7-G was \$452.7 million, compared to \$497.5 million at the end of the current Test Period. Utility plant in service, which is the largest component of rate base, increased by \$94.0 million over this Test Period. See Table 1 for such growth by major plant asset category.

Table 1
Summary of Plant Assets by Category

Plant Asset Category	As of March 31, 2021	As of December 31, 2021	% Change
Storage Plant	\$28,631,379	\$73,560,004	157%
Transmission Plant	\$190,525,511	\$199,375,749	5%
Distribution Plant	\$466,441,565	\$501,451,324	8%
General Plant & Intangibles	\$58,610,184	\$63,842,728	9%
Total Utility Plant	\$744,208,639	\$838,229,804	13%

Q. What factors have contributed to this increase in rate base since March 31, 2021?

A. Piedmont's rate base grew due to several reasons. First, the most significant increase in utility plant in service is in the storage plant category, which was primarily driven by the addition of the Robeson

1 County Liquified Natural Gas facility. Second, Piedmont continues to
2 invest in its system in order to ensure compliance with federal pipeline
3 safety and integrity obligations created by the Pipeline and Hazardous
4 Materials Safety Administration and much of that compliance work has
5 involved capital projects. These factors are explained in greater detail in
6 the testimony of Piedmont witness Brian Weisker.

7 **Piedmont's Per Books Test Period Cost of Service**

8 **Q. What are the actual financial results of Piedmont's South Carolina**
9 **operations for the Test Period?**

10 A. A summary of the Test Period financial results for Piedmont's South
11 Carolina operations is shown on page 1, column 1 of Exhibit_(QPB-7).
12 Amounts in column 1 were taken from Piedmont's books of account as of
13 December 31, 2021. Column 1, line 17 shows per books net operating
14 income for return for the Test Period of \$37.2 million. Line 28 shows
15 actual end of Test Period rate base of \$497.5 million. Column 1, line 29
16 shows that the Test Period per books overall rate of return on rate base
17 before accounting and pro forma adjustments is 7.47%.

Piedmont's Pro Forma Cost of Service

Q. Please describe the results of Piedmont's Test Period operations under present rates, as adjusted for pro forma changes to the Company's operating revenue, operating expense, capital structure, and rate base.

A. Column 3 on page 1 of Exhibit_(QPB-7) summarizes the results of Piedmont's Test Period operations under present rates, as adjusted for accounting and pro forma changes to the Company's operating revenue, operating expense, capital structure and rate base. Each of the accounting and pro forma adjustments shown in column 2 on page 1 of Exhibit_(QPB-7) is based on known and measurable information. Overall, the combined effect of the accounting and pro forma adjustments to the Test Period yields a 5.83% overall rate of return on rate base, as shown in column 3, line 29 on page 1 of Exhibit_(QPB-7).

Q. Please explain the accounting and pro forma adjustments to revenues and operating expenses used to compute Piedmont's pro forma cost of service.

A. Each accounting and pro forma adjustment is numbered and shown alongside column 2 on page 1 of Exhibit_(QPB-7). A description of each adjustment is also provided on pages 3 through 5 of Exhibit_(QPB-7). Adjustment 1 is performed for the purpose of normalizing annual revenues for the sale and transportation of gas to present billing rates and current customer throughput levels. Adjustment 2 is performed for the purpose of

1 bringing other operating revenues, which largely consist of revenue from
2 late payment charges, rental of gas property and other miscellaneous
3 revenue, to the going-level annual amount. The specific computation of
4 these pro forma revenue adjustments is discussed in the testimony of
5 Piedmont witness Kally Couzens.

6 Adjustments 3 through 8 are performed for the purpose of bringing
7 annual operating expenses to the going-level amount. Adjustment 3
8 specifically aligns the total annual cost of gas to the present billing rates
9 and current customer throughput levels consistent with Adjustment 1
10 discussed above. Adjustment 4 increases O&M expense to the going-level
11 amount of \$38.4 million. Page 3 of Exhibit_(QPB-7) lists each O&M
12 expense category and the adjustment amount. Included in Adjustment 4 is
13 a refresh of Piedmont's regulatory amortization expense for deferred
14 environmental expenses, which are environmental expenses associated
15 with costs granted regulatory asset treatment by this Commission.
16 Deferred environmental amortization expense is further discussed in detail
17 later in my testimony.

18 Adjustment 5 is for the purpose of annualizing depreciation
19 expense to align with the pro forma amount of plant in service per
20 adjustment 12 herein. Adjustment 6 is to annualize general tax expense
21 (which is comprised of property tax expense, franchise tax, payroll tax
22 expense and license fees) consistent with the other related pro forma
23 adjustments in this proceeding. Adjustments 7 and 8 simply provide an

1 update of annual state and federal income tax expense (at current rates of
2 5.0% and 21.0%, respectively) consistent with the other related pro forma
3 adjustments in this proceeding.

4 Adjustment 9 synchronizes the interest on Customers' Deposits to
5 the thirteen-month average of Customers' Deposits included in rate base.
6 The interest rate for customer deposits is 3.5% as approved in Order No.
7 2003-593 in Docket No. 1993-013-A. Adjustment 10 reflects Allowance
8 for Funds Used During Construction recorded during the Test Period
9 adjusted to include only the portion applicable to CWIP at the end of the
10 Test Period. Adjustment 11 applies a customer growth rate (based on
11 projected customer growth March 2021 to March 2022) to net income
12 after accounting and pro forma adjustments.

13 **Q. Please explain in further detail the pro forma adjustments that**
14 **comprise Adjustment 4 for O&M expenses.**

15 A. This adjustment was prepared by segregating the Test Period O&M
16 expense into its major categories and analyzing the Test Period
17 transactions and the specific cost drivers for each of these major categories
18 to appropriately develop the going level expense amount for each major
19 category. The following table includes a brief description of the nature of
20 each adjustment:

1
2
3

<p>Table 2</p> <p>O&M Adjustment Listing</p>	
<u>Adj. No.</u>	<u>From page 3 of Bowman Exhibit (QPB-7)</u>
4A*	<p>To adjust salaries & wages expense to the going-level basis.</p> <p>The adjustment proposes to annualize effective pay rates for headcount at December 31, 2021, and update the jurisdictional allocation factor. The pro forma adjustment includes a 3% increase to December 31, 2021 pay rates to approximate annual pay rate increases that were effective March 1, 2022.</p>
4B 4C	<p>To adjust short-term incentive plan (“STIP”) and long-term incentive plan (“LTIP”) expense to the going-level basis.</p> <p>The adjustment proposes to update STIP and LTIP compensation expense using projected 2022 expense at target level and updating the jurisdictional allocation factor.</p>
4D	<p>To remove executive management compensation expense for ratemaking purposes.</p> <p>The adjustment proposes to remove 50% of the allocated compensation (including benefits) of the top four highly compensated employees of Duke Energy. While the Company fully believes these costs are reasonable, prudent, and appropriate to recover from customers, for purposes of streamlining this proceeding, we have made this adjustment.</p>
4E	<p>To adjust pension and Other Post-Employment Benefits (“OPEB”) expense to the going-level basis.</p> <p>The adjustment proposes to update pension and OPEB expense for known and measurable annual expense estimates as projected by third-party actuaries. The jurisdictional allocation factor is also updated.</p>
4F	<p>To adjust other employee benefits expense to the going-level basis.</p> <p>The adjustment proposes to increase medical, dental, and long-term disability expense to the anticipated going level. The updated jurisdictional allocation factor is reflected in this adjustment.</p>
4G	<p>To remove 100% of lobbying expense for ratemaking purposes.</p>

	The adjustment proposes to remove lobbying-related expenses from the Test Period.
4H	<p>To adjust rent expense to the going-level basis.</p> <p>The adjustment proposes to update rent expense by annualizing the current terms of the rental agreements and update the jurisdictional allocation factors.</p>
4I	<p>To adjust insurance expense to the going-level basis.</p> <p>The adjustment proposes to reflect insurance rates that were invoiced for January – December 2022 and update jurisdictional allocation factors.</p>
4J*	<p>To adjust the regulatory amortization expense for deferred environmental cleanup costs.</p> <p>The adjustment proposes to amortize deferred environmental costs related to various state and federal requirements. Piedmont was granted regulatory asset treatment in Docket No. 2002-63-G and subsequent annual RSA proceedings. The proposed amortization period is 2 years. Further discussion is included in the Amortization of Deferred Expenses section.</p>
4K*	<p>To adjust the regulatory amortization expense for deferred rate case costs.</p> <p>This adjustment proposes to amortize rate case costs incurred for this proceeding. The proposed amortization period is 2 years.</p>
4L*	<p>To adjust the Public Service Commission Utility Tax Assessment fee to the going-level basis.</p> <p>The adjustment proposes to synchronize the regulatory assessment fee expense with pro forma revenues. The assessment fee of 0.30213% of gross receipts is based on the most recent tax assessment as of June 30, 2021.</p>
4M*	<p>To adjust the provision of uncollectibles expense to the going-level basis.</p> <p>The adjustment proposes to normalize the Test Period uncollectible expense based on historical 4-year actual write-offs-to-revenues ratio and applying the updated ratio to pro forma Sales and Transportation revenue.</p>

4N	<p>To remove aviation expense for ratemaking purposes.</p> <p>The adjustment proposes to remove a portion of aviation expenses that do not pertain to regulated South Carolina operations.</p>
4O	<p>To adjust residential customer payment expenses to the going-level basis.</p> <p>The adjustment proposes to include payment fees into base rates for residential customers. When a customer initiates payment over the phone, a fee is assessed by a third-party payment vendor. Historically, the residential customer incurs a \$3.50 fee for each transaction. By including the fees in base rates, the Company is removing a potential additional burden for residential customers and improving Piedmont's customer service.</p>
4P	<p>To remove expenses for allocations to non-utility activities.</p> <p>The adjustment proposes to remove a portion of select operating expenses using the three-factor Massachusetts Formula which consists of plant, revenues, and payroll costs, equally weighted.</p>
4Q	<p>To remove a derived amount of non-allowable expenses for ratemaking purposes.</p> <p>The adjustment proposes to remove a portion of Test Period O&M expenses based on a sample selection provided by the South Carolina Office of Regulatory Staff ("ORS"). Based on sampling results, the derived non-allowable rate is extrapolated to the remaining Test Period population. Piedmont also reviewed Test Period O&M to remove other non-allowable expenses not identified in the sample.</p>
4R	<p>To increase expenses for inflation and going-level jurisdictional allocations net of other ratemaking adjustments.</p> <p>The remaining O&M expenses not specifically adjusted are updated by applying an inflation factor calculated using data published by the federal government.</p>
<p>*Denotes that the pro forma adjustment includes an estimate as of March 31, 2022, and can be updated with actuals before the hearing date.</p>	

1 **Q. Are there any aspects of the accounting and pro forma adjustments**
2 **that you would like to comment?**

3 A. Yes. There are four areas of the cost of service that I would like to
4 describe in further detail. First, in accordance with the Settlement
5 Agreement approved in Docket 2021-7-G, the Company has not included
6 any expenses related to adverse judgements or amounts recovered from a
7 third-party related to Case Numbers 2018-CP-04-00900 and 2020-CP-04-
8 01350. None of these costs were incurred during the Test Period.

9 Second, in Adjustment 4O, the Company is proposing to include in
10 the cost of service the residential customer payment fees for payments
11 initiated over the phone. Historically, the residential customer incurs a
12 \$3.50 fee for each transaction. By including the fees in base rates, the
13 Company is removing an additional burden for residential customers and
14 improving its customer service.

15 Third, in Adjustment 4Q, the Company is proposing to remove a
16 portion of Test Period O&M expenses as non-allowable for ratemaking
17 based on sample testing results from an ORS selected sample for Q1 2021
18 and Q2 2021. In addition to the ORS sample review, Piedmont performed
19 an independent analysis to further identify other non-allowable expenses.
20 The judgmental sample included reviewing journal entry detail using a
21 robust list of keywords, reviewing round-dollar transactions, and
22 reviewing high-risk expense types. Non-allowable expenses discovered
23 during the preparation of the filing were also included in Adjustment 4Q.

1 Piedmont searched for over 140 keywords in the O&M expense journal
2 detail and reviewed approximately 1,600 journal entries. Based on the
3 sample testing results, Piedmont derived a non-allowable percentage to
4 apply to Q3 2021 and Q4 2021 O&M expenses. The known, identified
5 non-allowable expenses and the extrapolated non-allowable amount to
6 remove from Test Period O&M expenses is \$285,053.

7 Fourth, various pro forma adjustments include estimates through
8 March 31, 2022, which can be updated with actuals through the course of
9 the proceeding. The O&M adjustments with estimates through March 31,
10 2022, are denoted in the table above. All rate base items include an
11 estimate through March 31, 2022.

12 **Q. Please explain the accounting and pro forma adjustments to rate base.**

13 A. Adjustments 12 through 20 are made to update the per books end of Test
14 Period rate base amounts to projected March 31, 2022 amounts.
15 Adjustment 12 to plant in service anticipates that additional plant assets
16 totaling \$9.3 million will be placed in service on January 1, 2022, through
17 March 31, 2022. Adjustment 13 reflects the change in accumulated
18 depreciation, an increase of \$5.6 million that is anticipated on January 1,
19 2022, through March 31, 2022, based on adjustment 12. Adjustment 14
20 anticipates a net increase of \$3.9 million to be added to CWIP by March
21 31, 2022. Adjustments 15, 17, 18, and 20 are caused by using updated
22 allocation percentages for the pro forma calculation. Adjustment 16
23 synchronizes the cash working capital to one-eighth of O&M expenses

1 after accounting and pro forma adjustments. There is no amount for
2 Adjustment 19 as the Test Period ADIT is used as a proxy for the March
3 31, 2022 balance. ADIT, like all elements of rate base, can be updated
4 with actual March 31, 2022 information during the course of this
5 proceeding.

6 **Piedmont's Revenue Requirement**

7 **Q. Please explain the additional revenue necessary to appropriately**
8 **support Piedmont's South Carolina utility operations.**

9 A. Adjustment 21 shown in column 4 on page 1 of Exhibit_(QPB-7) reflects
10 the adjustment to the Company's base margin revenues needed to produce
11 a 9.90% return on equity as recommended by Piedmont witness Jim
12 Coyne in his testimony. To develop adjustment 21, Piedmont's rate base
13 was allocated to its capital source components of long-term debt and
14 common equity. This allocation, as shown in column 5 on page 2 of
15 Exhibit_(QPB-7), is based on the proposed capitalization ratios of 45.44%
16 long-term debt and 54.56% common equity. This is the Company's
17 targeted capital structure and is supported in testimony by Company
18 witness Chris Bauer. At present rates and at the targeted capital structure
19 and the pro forma cost of debt, Piedmont's revenues and expenses will
20 yield a 7.29% return on equity, as shown in column 7, line 2 on page 2 of
21 Exhibit_(QPB-7).

1 **Q. Does the proposed increase in the revenue requirement comport with**
2 **the proposed rates shown in Appendix I, Schedule 1 to the**
3 **Application?**

4 A. Yes, it does. The proposed rates shown in Appendix I, Schedule 1 will
5 produce an overall annual revenue increase of \$6,676,725 which is the
6 proposed revenue requirement adjustment shown in Exhibit_(QPB-7) on
7 page 1. The testimony and exhibits of Piedmont witness Kally Couzens
8 support the derivation of proposed rates for this proposed revenue
9 requirement adjustment amount.

10 **Q. Does this complete the cost of service portion of your testimony?**

11 A. Yes. Exhibits, working papers, and testimony filed with the Application
12 were prepared with information currently available to us at the time of the
13 filing. New evidence may become available between the filing date and
14 the time of the hearing.

15 **Amortization of Deferred Expenses**

16 **Q. Is Piedmont proposing to amortize and recover any deferred expenses**
17 **in this proceeding?**

18 A. Yes. Piedmont proposes to amortize certain environmental expenses that
19 have been previously deferred pursuant to Commission order.

20 **Q. What is the basis for Piedmont's proposed amortization and recovery**
21 **of deferred environmental compliance costs?**

22 A. In Docket Nos. 95-715-G and 2002-63-G, Piedmont was authorized to
23 recover deferred environmental costs. Furthermore, Piedmont has been

1 recovering deferred environmental compliance costs in each annual RSA
2 proceeding subsequent to the last rate case proceeding.

3 **Q. Has Piedmont utilized this deferral authority for environmental**
4 **compliance expenses incurred in the years since it was granted by the**
5 **Commission?**

6 A. Yes, it has. Piedmont has routinely deferred its environmental assessment
7 and clean-up costs pursuant to the authority granted by the Commission in
8 the previously referenced dockets. The Company has filed for and has
9 been granted amortization of such costs in its annual RSA proceedings.

10 **Q. Has Piedmont continued to defer environmental compliance expenses**
11 **since the last RSA?**

12 A. Yes. In the RSA, Piedmont was granted recovery of a balance of
13 \$526,555, which was the unamortized deferred balance as of March 31,
14 2021, net of regulatory amortizations through October 31, 2021. In this
15 proceeding, Piedmont is proposing a 2-year amortization of an
16 unamortized balance of \$4,511,298 for an annual amortization expense of
17 \$2,255,649.

18 **Q. Were these costs prudently incurred and have they been properly**
19 **accounted for?**

20 A. Yes, they were incurred in compliance with federal laws and regulations
21 and in the ordinary conduct of Piedmont's business. Piedmont has been
22 working toward remediation of the Anderson MGP site under the direction
23 of the South Carolina Department of Health and Environmental Control

1 (“SC DHEC”). These work plans for remediation were reviewed and
2 approved by the SC DHEC. Most of the construction work occurred
3 October 2021 through February 2022.

4 **Section 58-5-240 Compliance**

5 **Q. Has Piedmont complied with S.C. Code Ann. § 58-5-240 in this**
6 **proceeding by filing the information in connection with the filing of**
7 **this general rate case?**

8 **A.** Yes. Piedmont’s general rate case filing was prepared and is being filed
9 with the Commission concurrent with its Application and supporting
10 testimony in this proceeding.

11 **Q. Does this conclude your pre-filed direct testimony?**

12 **A.** Yes.

Exhibit_(QPB-1)

Exhibit_(QPB-1)

Piedmont Natural Gas Company, Inc.
Docket No. 2022-89-G
South Carolina Operations

Summary of Rate Base

		As of December 31, 2021 (Actual)	As of March 31, 2022 (Estimated)
1	Utility Plant in Service	\$ 838,229,804	\$ 847,566,861
2	Accumulated Depreciation	(272,144,354)	(277,726,863)
3	Construction Work in Progress	11,776,658	15,704,394
4	Allowance for Working Capital	13,682,900	13,771,903
5	Accumulated Deferred Income Taxes	(94,090,224)	(94,090,224)
6	Total End of Period Net Investment	<u>\$ 497,454,784</u>	<u>\$ 505,226,071</u>

Exhibit_(QPB-2)

Exhibit_(QPB-2)

Piedmont Natural Gas Company, Inc.
Docket No. 2022-89-G
South Carolina Operations

Utility Plant in Service:
Original Cost of Property Used and Useful

		As of December 31, 2021 (Actual)		As of March 31, 2022 (Estimated)	
1	Intangible Plant	\$ 14,978,416	1.79%	\$ 14,682,325	1.73%
2	Storage Plant	73,560,004	8.78%	73,786,901	8.71%
3	Transmission Plant	199,375,749	23.79%	202,029,899	23.84%
4	Distribution Plant	501,451,324	59.82%	507,745,738	59.91%
5	General Plant Depreciated	37,356,851	4.46%	37,398,974	4.41%
6	General Plant Amortized	11,507,461	1.37%	11,923,024	1.41%
7	Total	<u>\$ 838,229,804</u>	<u>100.00%</u>	<u>\$ 847,566,861</u>	<u>100.00%</u>

Exhibit_(QPB-3)

Exhibit_(QPB-3)

Piedmont Natural Gas Company, Inc.
Docket No. 2022-89-G
South Carolina Operations

Accumulated Depreciation of Property Used and Useful

	As of December 31, 2021 (Actual)		As of March 31, 2022 (Estimated)	
1 Intangible Plant	\$ 8,520,422	3.13%	\$ 8,857,884	3.19%
2 Storage Plant	5,558,795	2.04%	5,999,644	2.16%
3 Transmission Plant	28,553,148	10.49%	29,706,021	10.70%
4 Distribution Plant	209,891,803	77.13%	213,335,718	76.81%
5 General Plant Depreciated	13,978,353	5.14%	14,147,199	5.09%
6 General Plant Amortized	5,641,834	2.07%	5,680,397	2.05%
7 Total	<u>\$ 272,144,354</u>	<u>100.00%</u>	<u>\$ 277,726,863</u>	<u>100.00%</u>

Exhibit_(QPB-4)

Exhibit_(QPB-4)

Piedmont Natural Gas Company, Inc.
Docket No. 2022-89-G
South Carolina Operations

Allowance for Working Capital

		As of December 31, 2021 (Actual)	As of March 31, 2022 (Estimated)
1	Materials and Supplies including Gas Inventory	\$ 9,249,823	\$ 9,249,040
2	Cash Working Capital	4,491,942	4,796,027
3	Customer Advances for Construction	-	-
4	Customer Deposits	(2,740,074)	(2,740,074)
5	Unclaimed Funds	(9,451)	(9,243)
6	Prepayments	84,170	82,320
7	Pension/OPEB	10,080,497	9,858,947
8	Vacation Accrual Carryover	(1,171,420)	(1,145,674)
9	Average Tax Accruals	(6,302,587)	(6,319,440)
10	Total Allowance for Working Capital	<u>\$ 13,682,900</u>	<u>\$ 13,771,903</u>

Exhibit_(QPB-5)

Exhibit_(QPB-5)

Piedmont Natural Gas Company, Inc.
Docket No. 2022-89-G
South Carolina Operations

Accumulated Deferred Income Taxes

	As of December 31, 2021 (Actual)	As of March 31, 2022 (Estimated)
1 Accumulated Deferred Income Taxes	\$ (58,148,923)	\$ (58,148,923)
2 Regulatory Liabilities Related to Income Taxes	(35,941,301)	(35,941,301)
3 Total Accumulated Deferred Income Taxes (ADIT)	<u>\$ (94,090,224)</u>	<u>\$ (94,090,224)</u>

Exhibit_(QPB-6)

Exhibit_(QPB-6)

Piedmont Natural Gas Company, Inc.
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Depreciation Policy & Rates

Depreciation expense is computed monthly using the straight-line method applied to end of the previous month depreciable costs.

Piedmont is recording depreciation expense at the depreciation rates approved as a result of the Commission's findings in Docket No. 2019-191-G, Order No. 2019-573.

In this current rate case proceeding, Piedmont is not filing a new depreciation study based on the recency of the current depreciation study.

Depreciation of Piedmont's LNG plant located in North Carolina is allocated between North Carolina and South Carolina on the basis of design day demand. Depreciation on other jointly-used property is allocated between North Carolina, South Carolina and Tennessee, or between North Carolina and South Carolina only, on the basis of net plant, depending on the actual usage of the property.

Listed below are the composite depreciation rates by major asset category based on Pro Forma plant in service balances presented in Exhibit_(QPB-7).

Intangible Plant	12.99%
Storage Plant	2.22%
Transmission Plant	2.08%
Distribution Plant	2.25%
General Plant Depreciated	3.96%
General Plant Amortized	6.03%

Exhibit_(QPB-7)

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Exhibit_(QPb-7)
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Net Operating Income and Rate of Return
For the 12 Months Ended December 31, 2021

Line	(1)	(2)	(3)	(4)	(5)	(6)
	Per Books	Accounting and Pro Forma Adjustments	After Accounting and Pro Forma Adjustments	Adjustments for Proposed Margin	Adjustments for Cost of Gas - Demand	After Adjustments for Proposed Rates
<u>No. Operating Revenues</u>						
1 Sales and Transportation of Gas	\$ 164,180,736	\$ 30,418,670	(1) \$ 194,599,406	\$ 9,570,956	(21) \$ (2,894,231)	(27) \$ 201,276,131
2 Other Operating Revenues	975,427	(441,635)	(2) 533,792	-	-	533,792
3 Total Operating Revenues	<u>\$ 165,156,163</u>	<u>\$ 29,977,035</u>	<u>\$ 195,133,198</u>	<u>\$ 9,570,956</u>	<u>\$ (2,894,231)</u>	<u>\$ 201,809,923</u>
<u>Operating Expenses</u>						
4 Cost of Gas	\$ 67,048,864	\$ 23,500,234	(3) \$ 90,549,098	\$ -	\$ (2,869,507)	(28) \$ 87,679,591
5 Operations and Maintenance	35,935,537	2,432,676	(4) 38,368,213	53,047	(22) (16,041)	(29) 38,405,219
6 Depreciation	18,960,669	2,428,452	(5) 21,389,121	-	-	21,389,121
7 General Taxes	9,460,792	921,026	(6) 10,381,818	28,713	(23) (8,683)	(30) 10,401,848
8 State Income Taxes	(5,304,711)	6,588,771	(7) 1,284,060	474,460	(24) -	1,758,520
9 Federal Income Taxes	3,776,814	410,605	(8) 4,187,420	1,893,095	(25) -	6,080,515
10 Amortization of Investment Tax Credits	58,069	-	58,069	-	-	58,069
11 Total Operating Expenses	<u>\$ 129,936,034</u>	<u>\$ 36,281,764</u>	<u>\$ 166,217,798</u>	<u>\$ 2,449,315</u>	<u>\$ (2,894,231)</u>	<u>\$ 165,772,882</u>
12 Net Operating Income	\$ 35,220,129	\$ (6,304,729)	\$ 28,915,400	\$ 7,121,641	\$ -	\$ 36,037,041
13 Interest on Customers' Deposits	(95,980)	77	(9) (95,903)	-	-	(95,903)
14 Amortization of Debt Redemption Premium	-	-	-	-	-	-
15 Allowance for Funds Used During Construction	2,028,402	(1,662,968)	(10) 365,434	-	-	365,434
16 Customer Growth	-	280,479	(11) 280,479	69,080	(26) -	349,559
17 Net Operating Income for Return	<u>\$ 37,152,551</u>	<u>\$ (7,687,141)</u>	<u>\$ 29,465,410</u>	<u>\$ 7,190,721</u>	<u>\$ -</u>	<u>\$ 36,656,131</u>
<u>Original Cost Rate Base</u>						
18 Plant in Service	\$ 838,229,804	\$ 9,337,057	(12) \$ 847,566,861			\$ 847,566,861
19 Accumulated Depreciation	(272,144,354)	(5,582,509)	(13) (277,726,863)			(277,726,863)
20 Net Plant in Service	<u>\$ 566,085,450</u>	<u>\$ 3,754,548</u>	<u>\$ 569,839,998</u>			<u>\$ 569,839,998</u>
Add:						
21 Construction Work in Progress	11,776,658	3,927,736	(14) 15,704,394			15,704,394
22 Materials and Supplies	9,249,823	(782)	(15) 9,249,041			9,249,041
23 Cash Working Capital	7,182,602	89,578	(16) 7,272,179			7,272,179
Deduct:						
24 Customers' Advances	-	-	(17) -			-
25 Customers' Deposits	2,740,074	-	(18) 2,740,074			2,740,074
26 Accumulated Deferred Income Taxes	94,090,224	-	(19) 94,090,224			94,090,224
27 Unclaimed Funds	9,451	(208)	(20) 9,243			9,243
28 Original Cost Rate Base	<u>\$ 497,454,784</u>	<u>\$ 7,770,871</u>	<u>\$ 505,226,071</u>			<u>\$ 505,226,071</u>
<u>Rate of Return</u>						
29 On Original Cost Rate Base	<u>7.47%</u>		<u>5.83%</u>			<u>7.26%</u>

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Exhibit_(QPB-7)
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Return on Common Equity and Original Cost Net Investment
For the 12 Months Ended December 31, 2021

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			After Accounting and Pro Forma Adjustments						
	<u>Per Books</u>	<u>Accounting and Pro Forma Adjustments</u>	<u>Adjusted Capitalization</u>	<u>Calculated Ratio</u>	<u>Ratio</u>	<u>Cost Net Investment</u>	<u>Embedded Cost</u>	<u>Overall Cost Rate</u>	<u>Net Operating Income</u>
1 Long-Term Debt	\$ 2,964,186,963	\$ -	\$ 2,964,186,963	46.95%	45.44%	\$ 229,574,727	4.08%	1.85%	\$9,366,649
2 Common Equity	3,348,947,592	-	3,348,947,592	53.05%	54.56%	275,651,344	7.29%	3.98%	20,098,761
3 Total	<u>\$ 6,313,134,555</u>	<u>\$ -</u>	<u>\$ 6,313,134,555</u>	<u>100.00%</u>	<u>100.00%</u>	<u>\$ 505,226,071</u>		<u>5.83%</u>	<u>\$29,465,410</u>

(10)	(11)	(12)
After Adjustments for Proposed Rates		
Embedded Cost %	Overall Cost Rate %	Net Operating Income
4.08%	1.85%	\$ 9,366,649
9.90%	5.40%	27,289,483
	<u>7.25%</u>	<u>\$ 36,656,132</u>

(13)	(14)	(15)
After Adjustments for Proposed Rates, net of tax		
Overall Cost Rate %	Tax Factor	Net of Tax Weighted Cost
1.85%	0.7440889	1.38%
5.40%	1.0000000	5.40%
<u>7.25%</u>		<u>6.78%</u>

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Exhibit_(QPB-7)
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Accounting and Pro Forma Adjustments
For the 12 Months Ended December 31, 2021

Adj No.		<u>Increase/(Decrease)</u>
1	<u>Operating Revenues - Sale and Transportation of Gas</u> To adjust revenues to the going-level basis.	<u>\$ 30,418,670</u>
2	<u>Other Revenues</u> To adjust other revenues to the going-level basis.	<u>\$ (441,635)</u>
3	<u>Cost of Gas</u> To adjust cost of gas to the going-level basis.	<u>\$ 23,500,234</u>
4	<u>Operations and Maintenance Expenses</u>	
	A To adjust salaries and wage expenses to the going-level basis.	\$ 492,357
	B To adjust LTI plan expenses to the going-level basis.	77,025
	C To adjust STI plan expenses to the going-level basis.	(207,923)
	D To remove executive compensation expense for ratemaking purposes.	(110,162)
	E To adjust pension and OPEB expenses to the going-level basis.	(466,160)
	F To adjust other employee benefits to the going-level basis.	393,046
	G To remove 100% of lobbying expense for ratemaking purposes.	(4,846)
	H To adjust rent expense to the going-level basis.	64,478
	I To adjust insurance expenses to the going-level basis.	(36,154)
	J To adjust the regulatory amortization expense for deferred environmental cleanup costs.	1,722,057
	K To adjust the regulatory amortization expense for deferred rate case costs.	550,000
	L To adjust the PSC Utility Tax Assessment fee to the going-level basis.	104,395
	M To adjust the provision of uncollectibles expense to the going-level basis.	(221,680)
	N To remove aviation expense for ratemaking purposes.	(97,211)
	O To adjust residential customer payment expenses to the going-level basis.	228,232
	P To remove expenses for allocations to non-utility activities.	(89,836)
	Q To remove a derived amount of non-allowable expenses for ratemaking purposes.	(285,053)
	R To increase expenses for inflation and going-level jurisdictional allocations net of other ratemaking adjustments.	320,110
	Total	<u>\$ 2,432,676</u>
5	<u>Depreciation Expense</u>	
	To adjust depreciation expense to the going-level basis.	<u>\$ 2,428,452</u>
6	<u>General Taxes</u>	
	A To adjust property tax expense to synchronize with Adjustment 12.	\$ 830,427
	B To adjust franchise tax expense to the going-level basis.	(12,102)
	C To adjust payroll tax expense to synchronize with Adjustments 4A, 4B, 4C, and 4D.	10,797
	D To adjust the state license fee expense to synchronize with Adjustment 1.	91,904
	Total	<u>\$ 921,026</u>

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Exhibit_(QPB-7)
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Accounting and Pro Forma Adjustments
For the 12 Months Ended December 31, 2021

Adj No.		<u>Increase/(Decrease)</u>
7	<u>State Income Tax Expense</u> To adjust state income tax expense (rate of 5%) to reflect the impact on income after accounting and pro forma adjustments.	<u>\$ 6,588,771</u>
8	<u>Federal Income Tax Expense</u> To adjust federal income tax expense (rate of 21%) to reflect the impact on income after accounting and pro forma adjustments.	<u>\$ 1,346,584</u>
B	To adjust federal income tax expense for the 2017 tax reform EDIT giveback to customers.	<u>\$ (935,978)</u>
		<u>\$ 410,605</u>
9	<u>Interest on Customers' Deposits</u> To synchronize interest expense on customer deposits to align with 13-month average Customer Deposits included in rate base.	<u>\$ 77</u>
10	<u>Allowance for Funds Used During Construction</u> To adjust AFUDC to align with projected CWIP balance at March 31, 2022.	<u>\$ (1,662,968)</u>
11	<u>Customer Growth</u> To adjust net operating income to reflect anticipated customer growth (rate of 0.9700%).	<u>\$ 280,479</u>
12	<u>Plant in Service</u> To adjust plant in service for projected additions through March 31, 2022.	<u>\$ 9,337,057</u>
13	<u>Accumulated Depreciation</u> To synchronize accumulated depreciation following Adjustment 12.	<u>\$ (5,582,509)</u>
14	<u>Construction Work in Progress</u> To adjust CWIP for projected net additions through March 31, 2022.	<u>\$ 3,927,736</u>
15	<u>Materials and Supplies</u> To adjust Materials and Supplies including Gas Inventory through March 31, 2022 (projected).	<u>\$ (782)</u>
16	<u>Cash Working Capital</u> To adjust cash working capital following the pro forma adjustments to operations and maintenance expenses (rate of 12.5%).	<u>\$ 89,578</u>
17	<u>Customers' Advances</u> To adjust Customer Advances through March 31, 2022 (projected).	<u>\$ -</u>
18	<u>Customers' Deposits</u> To adjust Customer deposits through March 31, 2022 (projected).	<u>\$ -</u>
19	<u>Accumulated Deferred Income Taxes</u> To adjust ADIT through March 31, 2022 (projected).	<u>\$ -</u>
20	<u>Unclaimed Funds</u> To adjust Unclaimed Funds through March 31, 2022 (projected).	<u>\$ (208)</u>

Piedmont Natural Gas Company, Inc.
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South Carolina Operations

Exhibit_(QPB-7)
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Accounting and Pro Forma Adjustments
For the 12 Months Ended December 31, 2021

<u>Adj No.</u>		<u>Increase/(Decrease)</u>
21	<u>Operating Revenues - Sale and Transportation of Gas</u> To adjust revenue requirement for the sale and transportation of gas for the proposed margin increase.	<u>\$ 9,570,956</u>
22	<u>Operations and Maintenance Expenses</u> To adjust the provision for uncollectible accounts (rate of 0.25212%) and the PSC Utility Assessment Fee (rate of 0.30213%) following Adjustment 21.	<u>\$ 53,047</u>
23	<u>General Tax Expense</u> To adjust license fee (rate of 0.3%) following Adjustment 21.	<u>\$ 28,713</u>
24	<u>State Income Tax Expense</u> To adjust state income tax expense (rate of 5%) following Adjustments 21 and 22.	<u>\$ 474,460</u>
25	<u>Federal Income Tax Expense</u> To adjust federal income tax expense (rate of 21%) following Adjustments 21 and 22.	<u>\$ 1,893,095</u>
26	<u>Customer Growth</u> To adjust net operating income to reflect anticipated customer growth (rate of 0.9700%) following Adjustments 21 and 22.	<u>\$ 69,080</u>
27	<u>Operating Revenues - Sale and Transportation of Gas</u> To adjust revenue requirement for the sale and transportation of gas for the proposed cost of gas - demand decrease.	<u>\$ (2,894,231)</u>
28	<u>Cost of Gas</u> To adjust cost of gas for demand cost recovery.	<u>\$ (2,869,507)</u>
29	<u>Operations and Maintenance Expenses</u> To adjust the provision for uncollectible accounts (rate of 0.25212%) and the gross receipts assessment fee (rate of 0.30213%) following Adjustment 27.	<u>\$ (16,041)</u>
30	<u>General Tax Expense</u> To adjust state license fee expense (rate of 0.3%) following Adjustment 27.	<u>\$ (8,683)</u>

Exhibit_(QPB-8)

Piedmont Natural Gas Company, Inc.
Docket No. 2002-89-G
Total Piedmont Natural GasConsolidated Income Statement
As of December 31, 2021

	Total Piedmont Natural Gas
Revenues	
Regulated Natural Gas	1,577,851,117
Non-Regulated Electric, Natural Gas and Other	13,818,563
Total Operating Revenues	<u>1,591,669,680</u>
Cost of Natural Gas and Coal Sold	569,312,371
Operations, Maintenance and Other	326,396,158
Depreciation and Amortization	217,234,831
Property and Other Taxes	55,114,410
Impairments and Other Charges	9,965,880
Operating Expenses	<u>1,178,023,650</u>
Operating Income	<u>413,646,030</u>
Other Income and Expenses	<u>36,157,517</u>
Interest Expense	<u>118,584,063</u>
Earnings From Continuing Operations Before Income Taxes	<u>331,219,484</u>
Income Tax Expense (Benefit) From Continuing Operations	27,947,474
Income (Loss) From Continuing Operations	<u>303,272,010</u>
Earnings (Loss) of Subsidiaries	6,494,034
Income (Loss) From Discontinued Operations, net of tax	(73)
Net Income Attributable to Controlling Interest	<u><u>309,765,971</u></u>

Piedmont Natural Gas Company, Inc.
Docket No. 2002-89-G
Total Piedmont Natural GasConsolidated Balance Sheet
As of December 31, 2021

	Total Piedmont Natural Gas
ASSETS	
Cash and Cash Equivalents	(12,556,713)
Receivables	307,142,445
Receivables from affiliated companies	76,310,031
Inventory	108,574,098
Regulatory Assets	55,666,379
Other	6,462,617
Total Current Assets	541,598,858
Net Property Plant and Equipment	8,214,812,286
Goodwill	48,852,311
Regulatory Assets	316,071,593
Operating Lease Right-of-Use assets	16,287,640
Investment in Consolidated Subsidiaries	6,181,198
Other	83,764,091
Total Other Noncurrent Assets	471,156,832
Total Assets	9,227,567,976
LIABILITIES AND EQUITY	
Accounts Payable	169,523,318
Accounts payable to affiliated companies	36,056,974
Notes payable to affiliated companies	517,804,000
Taxes Accrued	61,564,972
Interest Accrued	36,542,274
Regulatory Liabilities	(77,759,554)
Other	81,443,510
Total Current Liabilities	825,175,493
Long-Term Debt	2,968,134,609
Other Noncurrent Liabilities	2,085,310,282
Equity	3,348,947,592
Total Liabilities and Common Stockholders' Equity	9,227,567,976